

## Message Text

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ORIGIN MMS-03

INFO OCT-01 AF-10 ISO-00 SCA-01 PER-05 ABF-01 TRSE-00

OMB-01 COME-00 EB-11 SS-20 SPC-03 RSC-01 /057 R

DRAFTED BY M/MS:RGMAYS,JR.

APPROVED BY M/MS:RGMAYS,JR.

AF/EX - MR. PIPER (DRAFT)

SCA - MISS PANIZZA (SUBS)

DG/PER - MR. BISHTON (SUBS)

FRM/FM - MR. SMITH (SUBS)

IRS - MR. CHRISTY (DRAFT)

----- 037261

R 182123Z DEC 73

FM SECSTATE WASHDC

TO AMEMBASSY PRETORIA

INFO AMCONSUL JOHANNESBURG

AMEMBASSY KINSHASA

AMEMBASSY LAGOS

AMEMBASSY MONROVIA

AMEMBASSY NAIROBI

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E.O. 11652 N/A

TAGS: OGEN, CASC, SF

SUBJECT: OPRED - PROPOSAL TO EXPAND OVERSEAS STAFF OF  
INTERNAL REVENUE SERVICE.

1. CITING EXPANSION OF US TRADE AND INVESTMENT IN FOREIGN COUNTRIES, INCLUDING AMERICAN OWNERSHIP AND CONTROL OF FOREIGN CORPORATIONS, PLUS CONTINUING SUBSTANTIAL INCREASE IN NUMBER OF AMERICANS LIVING ABROAD, TREASURY DEPARTMENT IS REQUESTING AUTHORIZATION TO INCREASE THE NUMBER OF OVERSEAS OFFICES AND PERSONNEL OF THE INTERNAL REVENUE SERVICE.

2. BASIC PURPOSES OF PROPOSED INCREASE ARE:

(A) TO PROVIDE NEEDED TAX INFORMATION AND ASSISTANCE

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TO THE ROUGHLY 340,000 AMERICAN HEADS OF HOUSEHOLD RESIDING

ABROAD AND APPROXIMATELY 40,000 FOREIGN CORPORATIONS  
CONTROLLED OR INFLUENCED BY U.S. INTERESTS WORLDWIDE.

(B) TO COVER SOME LARGE AREAS CURRENTLY RECEIVING NO  
COVERAGE, RAISE THE RATIO OF IRS PERSONNEL TO AMERICANS  
RESIDING ABROAD, AND RELATE THE STAFF SIZE OF EACH OVERSEAS  
OFFICE TO ITS CASELOAD.

(C) TO OVERCOME THE SERIOUS AND GROWING NON-COMPLIANCE  
SITUATION IN WHICH NEARLY 50 PERCENT OF AMERICAN CITIZENS  
ABROAD CURRENTLY FILE NO RETURNS, AND FAULTY REPORTING OF  
TAXABLE INCOME IS AN INCREASINGLY SERIOUS PROBLEM.

(D) TO INTENSIFY FOREIGN AUDIT, COLLECTION AND  
COLLATERAL INVESTIGATIONS ACTIVITIES.

(E) TO FACILITATE SETTLEMENT OF CASES INVOLVING  
APPLICATION OF FOREIGN TAX LAWS AND TAX TREATIES TO U.S.  
CITIZENS ABROAD AND, CONVERSELY, APPLICATION OF U.S. LAWS  
AND TAX TREATIES TO FOREIGN NATIONALS.

3. ONE ASPECT OF EXPANSION PROPOSAL CALLS FOR ESTABLISHING  
FIVE NEW OVERSEAS OFFICES, EACH HAVING ONE REVENUE  
SERVICE REPRESENTATIVE-RSR, ONE ASSISTANT RSR AND ONE  
AMERICAN CLERK, WITH ADJUSTMENTS IN TERRITORIAL JURISDIC-  
TIONS NOW ASSIGNED TO SEVERAL EXISTING OFFICES. PROPOSAL  
WOULD ESTABLISH AN OFFICE AT JOHANNESBURG TO COVER SOME  
PARTS OF AFRICA PRESENTLY COVERED OUT OF ROME AND PROVIDE  
COVERAGE FOR ADDITIONAL PARTS OF AFRICA NOT PRESENTLY  
SERVICED. JOHANNESBURG OFFICE WOULD HAVE RESPONSIBILITY  
FOR SOUTH AFRICA, ZAIRE, NIGERIA, LIBERIA, KENYA AND  
POSSIBLY OTHER SUB SAHARAN COUNTRIES. MAJORITY OF U.S.  
RESIDENTS IN THIS TERRITORY ARE IN SOUTH AFRICAN REPUBLIC.

4. IRS STATES THAT OPENING NEW OFFICES WOULD GO FAR TO  
OVERCOME PRESENT HANDICAP OF EXCESSIVE TIME TRAVELLING  
FACED BY AGENTS, PERMIT MORE THOROUGH COVERAGE OF  
TERRITORIES, AND APPRECIABLY REDUCE THE LOPSIDED RATIO OF  
TAXPAYERS TO IRS PERSONNEL OVERSEAS. SMALLER TERRITORIES  
WOULD PERMIT SERVICE PERSONNEL TO IMPROVE THEIR FAMILIARITY  
WITH THESE AREAS, INCREASE THEIR NUMBER OF USEFUL PERSONAL  
CONTACTS AND KNOWLEDGE OF INVESTIGATIVE LEADS, PROVIDE  
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MORE TIME AND BETTER BACKGROUND WITH WHICH TO INDOCTRINATE  
VISITING AUDIT TEAMS, AND SIGNIFICANTLY STRENGTHEN  
COLLECTION ACTIVITY WHICH IS NOW SERIOUSLY NEGLECTED  
BECAUSE OF LIMITED MANPOWER. INCREASE IN IRS OFFICES AND  
PERSONNEL WOULD PROMOTE SUBSTANTIALLY HIGHER LEVEL OF  
VOLUNTARY COMPLIANCE AND SIGNIFICANT INCREASE IN REVENUE.  
\*HOULD ALSO ENABLE APPLICATION OF MORE IRS TIME TO LIAISON  
WITH FOREIGN TAX DEPARTMENTS FOR NONCOMPLIANCE PURPOSES

AND TO AWSISTING U.S. TAXPAYERS IN DIFFICULTIES ARISING  
FROM INTERACTION OF DIFFERENT TAX SYSTEMS.

5. IRS ESTIMATES OFFICE STAFF OF THREE WOULD NEED 800-  
900 SQUARE FEET OF SPACE, PREFERABLY BUT NOT NECESSARILY  
IN EMBASSY OR CONGEN. FURNATURE WOULD INCLUDE COMBINATION  
SAFE. ANTICIPATE MINIMAL USE OF MISSION COMMUNICATION  
WOULD COVER ADMINISTRATIVE SUPPORT COSTS UNDER SAS. ALLIRS  
PERSONNEL WILL HAVE TOP SECRET CLEARANCES.

6. ACTION REQUESTED. COMMENTS ON IRS PROPOSAL BY ACTION  
ADDRESSEE COM, INCLUDING ANY IMPACT ON MISSION'S ADMINIS-  
T ATIVE SUPPORT CAPABILITY, PLUS ATTITUDE OF HOST GOVERN-

MENT, TO WHICH INFORMAL APPROACH MAY BE MADE IF POST HAS  
NO SERIOUS RESERVATIONS ABOUT PROPOSAL. RUSH

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